

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>WEARE TOWNSHIP</b>	County <b>OCEANA</b>
Audit Date <b>3/31/06</b>	Opinion Date <b>6/2/06</b>	Date Accountant Report Submitted to State: <b>7/14/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

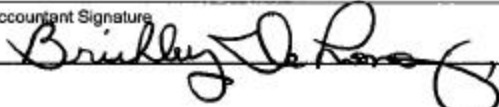
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>BRICKLEY DELONG</b>			
Street Address <b>500 TERRACE PLAZA P.O. BOX 999</b>		City <b>MUSKEGON</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>49443</b>	Date <b>7/14/06</b>



Weare Township  
Oceana County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended March 31, 2006



Weare Township

**TABLE OF CONTENTS**

Management’s Discussion and Analysis.....	i - vi
Independent Auditors’ Report.....	1
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets.....	2
Statement of Activities .....	3
Fund Financial Statements	
Governmental Funds	
Balance Sheet.....	4
Reconciliation of the Governmental Funds Balance Sheet	
to the Statement of Net Assets .....	5
Statement of Revenues, Expenditures and Changes	
in Fund Balance .....	6
Reconciliation of the Governmental Funds Statement of Revenues,	
Expenditures and Changes in Fund Balance to the Statement of	
Activities .....	7
Statement of Fiduciary Assets and Liabilities.....	8
Notes to Financial Statements .....	9
Required Supplementary Information	
Budgetary Comparison Schedule—General Fund .....	17



As management of Weare Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Weare Township for the fiscal year ended March 31, 2006. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

### **FINANCIAL HIGHLIGHTS**

- The General Fund fund balance increased by \$36,152.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business type activities). The governmental activities of the Township include general government, public safety, public works and cultural and recreational activities. The Township does not have any business-type activities.



**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories - governmental funds and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

Weare Township maintains one governmental fund, the General Fund.

**Fiduciary Funds.** Fiduciary Funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the government-wide financial statements.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund.



**Government-wide Financial Analysis**

The first table presented below is a summary of the government-wide Statement of Net Assets for Weare Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. The current assets increased by \$24,845 due to an increase in net assets. Capital assets increased due to the donation of a voting machine from the State of Michigan. As of March 31, 2006, the Township's net assets from governmental activities totaled \$348,057.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc). These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities are \$336,049. This represents the amount of discretionary cash or investments that can be used for general governmental operations.

**Net Assets**

	Governmental Activities	
	2006	2005
Current assets and other assets	\$ 340,534	\$ 313,246
Capital assets	12,008	8,368
Total assets	352,542	321,614
Current liabilities	4,485	13,349
Net assets		
Invested in capital assets	12,008	8,368
Unrestricted	336,049	299,897
Total net assets	\$ 348,057	\$ 308,265



**Governmental Activities**

Governmental activities increased by \$39,792 (13%) during the 2006 fiscal year. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

Property tax revenues increased primarily due to normal inflationary increases in taxable amount. Capital grants and contributions of \$4,800 are from the donation of a voting machine from the State of Michigan. Public works costs decreased due to less road construction done during the year.

**Change in Net Assets**

	Governmental Activities	
	2006	2005
Revenues:		
Program revenues		
Charges for services	\$ 4,805	\$ 3,683
Capital grants and contributions	4,800	-
General revenues		
Property taxes	98,576	91,056
Grants and contributions not restricted	92,905	90,232
Unrestricted investment earnings	5,709	5,529
Miscellaneous	8,368	2,263
Total revenues	215,163	192,763
Expenses:		
General government	82,888	88,734
Public safety	17,681	12,301
Public works	61,953	145,768
Community and economic development	10,817	9,050
Culture and recreation	2,032	6,320
Total expenses	175,371	262,173
Change in net assets	39,792	(69,410)
Net assets - Beginning	308,265	377,675
Net assets - Ending	\$ 348,057	\$ 308,265



### Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2006 fiscal year, the Township's governmental funds reported a combined unreserved fund balance of \$334,243, all of which is in the General Fund. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Township's discretion. The remainder of the fund balance of \$1,806 is reserved to indicate that it is not available for new spending because it has already been committed to liquidate commitments and purchase orders. When the fund balance has been adjusted to account for these reserves, the result is a final fund balance of \$340,534, which is all in the General Fund.

The General Fund had an increase in fund balance of \$36,152 due to higher than expected property tax revenue and state shared revenues. In addition, assessor expenditures were less than anticipated.

### General Fund Budget

During the current fiscal year, the Township made no amendments to its original budget.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

#### Revenues

- Property taxes were over budget due to higher than expected tax values.
- Licenses and permits were over budget due to higher than expected zoning permits.
- State intergovernmental revenues were budgeted low in anticipation of State of Michigan budget cuts that did not transpire.
- Investment earnings were higher than budgeted due to increases in interest rates.
- Other revenues were higher than budgeted due to a deposit for legal costs.

#### Expenditures

- Township Board, supervisor, assessor, clerk, elections, buildings and grounds, cemetery and culture and recreation expenditures were all under budget due to fewer than anticipated costs during the year.
- Board of review, other governmental functions and capital outlay expenditures were over budget because these departments were not budgeted for.
- Treasurer expenditures were higher than budgeted because the treasurer spent extra time collecting property taxes and this department purchased a new computer.
- Roads expenditures were higher than budgeted because road projects cost more than anticipated.



**Capital Assets Administration**

Weare Township's investment in capital assets for its governmental activities as of March 31, 2006 totaled \$12,008 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements and equipment. Major capital asset events during the current the year included the donation of a voting machine from the State of Michigan, valued at \$4,800.

**Capital Assets  
(Net of Accumulated Depreciation)**

	Governmental Activities	
	2006	2005
Land	\$ 1,685	\$ 1,685
Buildings and improvements	5,963	6,683
Equipment	4,360	-
Total	<u>\$ 12,008</u>	<u>\$ 8,368</u>

Additional information on the Township's capital assets can be found in Note D of the "Notes to the Financial Statements" of this report.

**General Economic Overview**

The Township is planning on paving Hogan Road next year and is currently getting bids for this project.

The General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised 91% of the General Fund revenue sources. The state revenues are affected by the State of Michigan budget along with sales tax collections. The Township anticipates revenues to increase, primarily state shared revenues. Expenditures are also expected to increase because of anticipated road projects.

**Requests for Information**

This financial report is designed to provide a general overview of Weare Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Weare Township, 6295 N. 88<sup>th</sup> Avenue, Hart, Michigan, 49420, (231) 873-7771.



# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

June 2, 2006

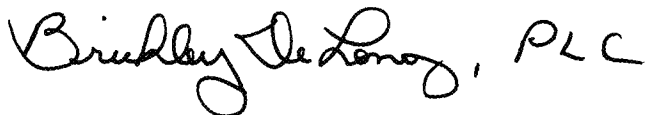
Township Board  
Weare Township  
Hart, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Weare Township, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Weare Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Weare Township, Michigan, as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - vi and 17 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.





Weare Township  
**STATEMENT OF NET ASSETS**  
March 31, 2006

ASSETS

	Governmental activities
<b>CURRENT ASSETS</b>	
Cash and investments	\$ 308,157
Receivables	15,935
Due from other governmental units	14,636
Prepaid items	<u>1,806</u>
Total current assets	340,534
 <b>NONCURRENT ASSETS</b>	
Capital assets, net	
Nondepreciable	1,685
Depreciable	<u>10,323</u>
Total noncurrent assets	<u>12,008</u>
Total assets	352,542
 <b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable and accrued liabilities	<u>4,485</u>
 <b>NET ASSETS</b>	
Invested in capital assets	12,008
Unrestricted	<u>336,049</u>
Total net assets	\$ <u><u>348,057</u></u>

The accompanying notes are an integral part of this statement.



Weare Township  
**STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2006

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for services	Capital grants and contributions	Governmental activities
<b><i>Functions/Programs</i></b>				
Governmental activities				
General government	\$ 82,888	\$ 3,150	\$ 4,800	\$ (74,938)
Public safety	17,681	-	-	(17,681)
Public works	61,953	-	-	(61,953)
Community and economic development	10,817	1,655	-	(9,162)
Culture and recreation	2,032	-	-	(2,032)
Total governmental activities	<u>\$ 175,371</u>	<u>\$ 4,805</u>	<u>\$ 4,800</u>	<u>(165,766)</u>
General revenues				
Property taxes				98,576
Grants and contributions not restricted to specific programs				92,905
Unrestricted investment earnings				5,709
Miscellaneous				<u>8,368</u>
Total general revenues				<u>205,558</u>
Change in net assets				39,792
Net assets at April 1, 2005				<u>308,265</u>
Net assets at March 31, 2006				<u>\$ 348,057</u>

The accompanying notes are an integral part of this statement.



Weare Township  
**BALANCE SHEET**  
Governmental Funds  
March 31, 2006

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 308,157
Property taxes receivable	15,935
Due from other governmental units	14,636
Prepaid items	<u>1,806</u>
Total assets	<u><u>\$ 340,534</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Accounts payable	\$ 4,485
Fund balance	
Reserved for prepaid items	1,806
Unreserved	<u>334,243</u>
Total fund balance	<u>336,049</u>
Total liabilities and fund balance	<u><u>\$ 340,534</u></u>

The accompanying notes are an integral part of this statement.



Weare Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**  
March 31, 2006

Total fund balance—governmental funds	\$ 336,049
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Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not financial resources and  
are not reported in the governmental funds.

Cost of capital assets	\$ 21,009	
Accumulated depreciation	<u>(9,001)</u>	<u>12,008</u>
Net assets of governmental activities in the Statement of Net Assets		<u><u>\$ 348,057</u></u>

The accompanying notes are an integral part of this statement.



Weare Township  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
 Governmental Funds  
 For the year ended March 31, 2006

	General Fund
REVENUES	
Property taxes	\$ 98,576
Licenses and permits	4,805
Intergovernmental revenues - state	97,705
Investment earnings	5,709
Other	8,368
Total revenues	215,163
EXPENDITURES	
Current	
General government	78,830
Public safety	17,681
Public works	61,953
Community and economic development	10,529
Culture and recreation	2,032
Other governmental functions	3,186
Capital outlay	4,800
Total expenditures	179,011
Net change in fund balance	36,152
Fund balance at April 1, 2005	299,897
Fund balance at March 31, 2006	\$ 336,049

The accompanying notes are an integral part of this statement.



Weare Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2006

Net change in fund balance—total governmental funds	\$	36,152
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Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report outlays for capital assets as expenditures;  
in the Statement of Activities, these costs are depreciated over their  
estimated useful lives.

Depreciation expense	\$	(1,160)	
Capital outlay		<u>4,800</u>	<u>3,640</u>
Change in net assets of governmental activities	\$		<u><u>39,792</u></u>

The accompanying notes are an integral part of this statement.



Weare Township  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
Fiduciary Funds  
March 31, 2006

	<u>Agency funds</u>
<b>ASSETS</b>	
Cash and investments	\$ <u>3,525</u>
 <b>LIABILITIES</b>	
Due to other governmental units	\$ <u>3,525</u>

The accompanying notes are an integral part of this statement.



Weare Township  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Weare Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

***Reporting Entity***

The Township is a municipal corporation governed by an elected five-member Board and is administered by a Township Supervisor. Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.



Weare Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued***

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

***Assets, Liabilities and Net Assets or Equity***

**Deposits and Investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.



Weare Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2006

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Receivables and Payables**

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 state taxable value for real/personal property of the Township totaled approximately \$29,000,000. The ad valorem taxes levied consisted of 1.1749 and 1.9680 mills for the Township's general operations and for road improvements. These amounts are recognized in the General Fund.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15-50
Equipment	5-15

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.



Weare Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2006

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to March 31, the Township clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to March 31, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board did not make any supplemental budgetary appropriations throughout the year.

**Excess of Expenditures Over Appropriations**

During the year ended March 31, 2006, actual expenditures exceeded appropriations for:

	Amended budget	Actual
General Fund		
Board of review	\$ -	\$ 1,133
Treasurer	20,000	23,562
Roads	57,500	61,953
Zoning	10,000	10,529
Other governmental functions	-	3,186
Capital outlay	-	4,800



Weare Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2006

**NOTE C—DEPOSITS AND INVESTMENTS**

**Interest rate risk.** The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations (NRSROs). The Township has no investment policy that would further limit its investment choices.

**Concentration of credit risk.** The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2006, \$266,067 of the Township's bank balance of \$366,067 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk - investments.** The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Foreign currency risk.** The Township is not authorized to invest in investments which have this type of risk.

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2006 was as follows:

	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 1,685	\$ -	\$ -	\$ 1,685
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	14,524	-	-	14,524
Equipment	-	4,800	-	4,800
Total capital assets, being depreciated	14,524	4,800	-	19,324



Weare Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2006

**NOTE D—CAPITAL ASSETS—Continued**

	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
<b>Governmental activities:—Continued</b>				
<b>Less accumulated depreciation:</b>				
Buildings and improvements	\$ 7,841	\$ 720	\$ -	\$ 8,561
Equipment	-	440	-	440
Total accumulated depreciation	<u>7,841</u>	<u>1,160</u>	<u>-</u>	<u>9,001</u>
Total capital assets being depreciated, net	<u>6,683</u>	<u>3,640</u>	<u>-</u>	<u>10,323</u>
Capital assets, net	<u><u>\$ 8,368</u></u>	<u><u>\$ 3,640</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,008</u></u>

Depreciation expense was charged to the general government function.

**NOTE E—OTHER INFORMATION**

**Risk Management**

The Township manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Township pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township carries commercial insurance for property, liability, employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.



Weare Township  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2006

**NOTE F—PENSION PLANS**

**Defined Contribution Plan**

The Township maintains a defined contribution retirement plan administered by John Hancock that covers two of its employees. The Township matches the contributions of its employees. The Township's contribution for the year ended March 31, 2006 was \$2,147.

**NOTE G—ECONOMIC DEPENDENCY**

State of Michigan shared revenues represent 42 percent of General Fund revenues.



## **REQUIRED SUPPLEMENTARY INFORMATION**



Weare Township  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
General Fund  
For the year ended March 31, 2006

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 94,000	\$ 94,000	\$ 98,576	\$ 4,576
Licenses and permits	2,000	2,000	4,805	2,805
Intergovernmental revenues - state	88,000	88,000	97,705	9,705
Investment earnings	3,000	3,000	5,709	2,709
Other	2,000	2,000	8,368	6,368
Total revenues	189,000	189,000	215,163	26,163
EXPENDITURES				
Current				
General government				
Township Board	13,000	13,000	9,385	3,615
Supervisor	15,000	15,000	13,036	1,964
Assessor	20,000	20,000	11,042	8,958
Clerk	15,000	15,000	12,110	2,890
Board of review	-	-	1,133	(1,133)
Treasurer	20,000	20,000	23,562	(3,562)
Elections	4,000	4,000	1,211	2,789
Buildings and grounds	7,500	7,500	5,515	1,985
Cemetery	2,500	2,500	1,836	664
Public safety				
Fire	17,000	17,000	17,681	(681)
Public works				
Roads	57,500	57,500	61,953	(4,453)
Community and economic development				
Zoning	10,000	10,000	10,529	(529)
Culture and recreation	5,500	5,500	2,032	3,468
Other governmental functions	-	-	3,186	(3,186)
Capital outlay	-	-	4,800	(4,800)
Total expenditures	187,000	187,000	179,011	7,989
Net change in fund balance	\$ 2,000	\$ 2,000	36,152	\$ 34,152
Fund balance at April 1, 2005			299,897	
Fund balance at March 31, 2006			\$ 336,049	



# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

June 2, 2006

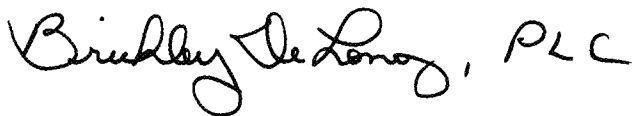
Township Board  
Weare Township  
Hart, Michigan

In planning and performing our audit of the financial statements of Weare Township for the year ended March 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Weare Township's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. We have attached a summary of the reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended solely for the information of the Township Board, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.





## REPORTABLE CONDITIONS

### *General*

Recommendation 1: A written capitalization policy should be developed.

During our audit, we noted that the Township does not have a written policy regarding which items are to be capitalized and which items should be expensed.

The development of a formal written capitalization policy would assist the Township's personnel in their decisions regarding the general ledger account to which an item should be posted.

Recommendation 2: Bank statements should be reconciled to the Township clerk's records.

We noted the bank statements are not being reconciled to the Township clerk's records. The treasurer prepares a bank reconciliation but does not agree it to the Township clerk's records. The failure to reconcile the bank statements to the Township clerk's records provides the opportunity for misappropriations of funds and accounting errors to go undetected.

We recommend that the bank reconciliations be prepared for all accounts and agreed to the Township clerk's records on a monthly basis.

Recommendation 3: Banks should be notified of changes in authorized check signatories on a timely basis.

During our examination, we noted the bank had not been notified of changes in authorized check signatories for the tax checking account.

The timely notification of banks as to changes in check signatories reduces the possibility of the unauthorized disbursement of Township funds.